

# **Exhibit 13**

UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF WISCONSIN

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AUTHENTICOM, INC.,

Plaintiff,

-vs-

Case No. 17-CV-318-JDP

CDK GLOBAL, LLC and  
THE REYNOLDS AND REYNOLDS COMPANY,

Madison, Wisconsin  
June 26, 2017  
9:03 a.m.

Defendants.

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STENOGRAPHIC TRANSCRIPT OF FIRST DAY OF EVIDENTIARY HEARING  
**(MORNING SESSION)**

HELD BEFORE CHIEF U.S. DISTRICT JUDGE JAMES D. PETERSON

APPEARANCES:

For the Plaintiff:

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1 Authenticom or through a certified interface through one of the  
2 DMS providers.

3 Q Could you speak into the microphone a bit more?

4 A Sure.

5 THE COURT: You don't have to lean into the microphone  
6 every time you talk, but if you stay about a foot away and have  
7 the microphone pointed at you, you'll be fine.

8 THE WITNESS: Got it.

9 THE COURT: Thanks.

10 BY MR. NEMELKA:

11 Q What is a -- you mentioned data integration provider. What  
12 is a data integration provider?

13 A Data integration provider primarily brings the data in from  
14 all of the DMS companies and other sources. We akin it to  
15 something like the United Nations. Basically each DMS has its  
16 own language and format. Vendors have disparate business rules,  
17 so what we do is we bring in all of the different communications  
18 or ways that these systems operate and communicate and normalize  
19 it to a single voice or single streaming so application  
20 providers can easily consume the data and provide the services.

21 Q And is Authenticom a data integrator?

22 A We are, indeed.

23 Q Who are Authenticom's current competitors in that market?

24 A Today CDK and Reynolds and Reynolds.

25 Q Were there once others?

1 A There was, many.

2 Q What happened to them?

3 A They have been forced out of business.

4 Q Who pays data integration providers for their services?

5 A Typically the vendors pay.

6 Q Quick correction. You said they've been forced out of  
7 business. Have they been forced out of business completely or  
8 out of the data integration market, for the prior data  
9 integration providers?

10 A They've been forced out of the data integration market.  
11 Many of them that was their sole business, so they ceased to  
12 exist.

13 Q But some do exist but have applications or something else;  
14 is that right?

15 A That's correct, yes.

16 Q All right. So who pays data integration providers for  
17 their services?

18 A Typically the vendors pay.

19 Q Not the dealers?

20 A There are exceptions where dealers pay.

21 Q Okay. You testified that you founded Authenticom in 2002;  
22 is that right?

23 A That is correct.

24 Q How many employees did it start with?

25 A One.

1 Q So from those beginnings, could you please describe the  
2 growth of your business?

3 A Essentially started in my son's bedroom, as the President  
4 stated. We've had three offices, and we basically grew from,  
5 you know, one employee to over 120 and revenues up to 18  
6 million.

7 Q And how many dealerships have you served at least at one  
8 point in time?

9 A Over 15,000, probably approaching 15,500.

10 Q Out of how many total franchise dealerships in the nation?

11 A Just over 18,000.

12 Q So the vast majority of dealerships relied on you to  
13 provide data integration services; is that right?

14 A That's correct.

15 Q Where is Authenticom based?

16 A La Crosse, Wisconsin.

17 Q You had the honor of being recognized by President Obama;  
18 is that right?

19 A I did.

20 Q How did that come about?

21 A The President was coming to La Crosse --

22 THE COURT: I think we can be brief on this because I  
23 don't think it's -- other than adding a little gloss to the  
24 presentation, I don't think it really goes to the merits of  
25 anything.

1 MR. NEMELKA: Okay. All right. All right. We can  
2 skip that.

3 BY MR. NEMELKA:

4 Q I do want to ask you, could you say something about your  
5 employees and what they mean to the company?

6 A Yeah. Our employees are absolutely everything. We could  
7 not have built this company without our employees. We rely on,  
8 you know, their hard work and dedication every single day. This  
9 company is really our people.

10 Q What is the current version of Authenticom's data  
11 integration service called?

12 A DealerVault.

13 Q What is DealerVault?

14 A DealerVault is a front-end web-based application that  
15 allows dealers complete control over their data. It allows them  
16 to see with full transparency and deliver data to their vendors  
17 of their choosing and control the access to that data to a  
18 granular level. It also provides audit and reporting  
19 capabilities for the data that's been transmitted.

20 Q Why did Authenticom create DealerVault?

21 A There's a tremendous need in the marketplace for dealers to  
22 be able to take control, have visibility, transparency, and  
23 control of their data. Not only did we see an opportunity in  
24 the market, but we saw a tremendous need and really felt that  
25 this was something we could do for the industry.

1 Q Do you have contracts with dealers?

2 A We do.

3 Q And what are the key terms in your contracts with dealers?

4 A We only access the data that the dealer expressly provides  
5 us permission for. In addition to that, we only transmit the  
6 data to the vendors that the dealer expressly gives us  
7 permission to through their contracts between the dealers and  
8 the vendors. We also indemnify the dealers in case something  
9 happens to the data while its in our care.

10 MR. NEMELKA: Your Honor, that's Exhibit 28. For  
11 efficiency purposes, I'll move on unless you have questions.

12 THE COURT: Can I ask you a question about how we're  
13 handling the exhibits? Is there an agreement -- I can't  
14 remember if this was addressed in your joint submission. Is  
15 there an agreement about whether these documents are admissible?

16 MR. RYAN: Your Honor, Mark Ryan.

17 THE COURT: Yes. You can stay seated. It keeps you  
18 closer to the mic.

19 MR. RYAN: We tried to work on objections, but we  
20 didn't get there, so I don't think we have agreements on  
21 admissibility of any of the exhibits.

22 THE COURT: Okay. So I'll have to -- let's just do it  
23 this way then: If you want to use it, you'll have to move it,  
24 and then I'll rule on it.

25 MR. NEMELKA: Okay. Your Honor, Exhibit 28. Would you

1 THE WITNESS: So with Auto/Mate, PBS, you know, a  
2 couple of the other DMS providers, the protocol is different.  
3 The dealer fills out a form, okay, which is submitted to the DMS  
4 provider that says, "Please include this in your nightly FTP."

5 THE COURT: Okay.

6 THE WITNESS: Okay? Again, there are specific and  
7 explicit permission granted by the dealer, and the defendants'  
8 counsel explained the same process.

9 THE COURT: Okay. And so is there also then -- in  
10 cases where you're using that method, is there also permission  
11 from the DMS that they're allowing it?

12 THE WITNESS: Absolutely, yes. We work collaboratively  
13 with all the other DMS providers.

14 THE COURT: Okay. All right. Thank you. Go ahead.

15 BY MR. NEMELKA:

16 Q I want to clarify in terms of the FTP process, that's  
17 automatic versus manual?

18 A Yes.

19 Q Will you please explain the distinction?

20 A So with the DMS providers, they can automate the scheduling  
21 of reports and the transmission of those reports. The manual  
22 process is up to the dealer to run the report or remove the  
23 report from the system and physically move it into some sort of  
24 transmission protocol, typically FTP, and send it to us. So  
25 it's a manual process as opposed to an automated process.



1 Q Do Reynolds and CDK allow for automated data sharing  
2 through FTPs?

3 A They do not.

4 Q The final way you said was that dealers provide login  
5 credentials. How do dealers do that?

6 A They give us a username and password pursuant to the  
7 contract.

8 Q And what does that -- in terms of the relationship that you  
9 then have with the dealer, what does that make you?

10 A It makes us an agent.

11 Q And so how do you act as an agent on behalf of the dealer?

12 A As an agent, we act on behalf of the dealer just like an  
13 employee.

14 Q And then how do you do that to pull the data?

15 A Essentially what we do is through terminal emulation or  
16 keyboard emulation, we utilize the application layer of the DMS  
17 system just like an employee would. Essentially we're an  
18 employee at the dealership typing in the data request only we  
19 have very fast fingers.

20 Q When does Authenticom pull data for Reynolds and CDK  
21 dealers?

22 A Typically these transactions, the vast majority of them,  
23 are done at night when the dealership is closed and there's very  
24 few people on the system.

25 Q Does Authenticom's data extraction have any effect on

1 system functionality?

2 A We've never been able to discern any functionality drain or  
3 system degradation.

4 Q Have CDK --

5 THE COURT: How would you be able to discern whether  
6 there was any degradation?

7 THE WITNESS: Our customers would call us and tell us,  
8 dealers.

9 BY MR. NEMELKA:

10 Q Have CDK or Reynolds ever given you a specific example of  
11 system degradation for a dealership?

12 A CDK has never communicated anything other than, you know,  
13 the vague stuff that they put out in their marketing materials  
14 and communications to the market. I did have a conversation  
15 with Mr. Schaefer many years ago, I think it was seven or eight  
16 years ago, about a particular dealership. He was requesting  
17 help to figure out if there was -- if we knew, you know, whose  
18 query was running. We took a look at it, and it was ours. It  
19 was malfunctioning. It was essentially -- the term is called  
20 "hung." It was in a loop. Okay? We disabled it and rectified  
21 the situation within a day.

22 Q Other than that instance, have CDK and Reynolds ever called  
23 you with a specific example of the DMS functioning being  
24 impaired by -- for a particular dealership?

25 A Not once ever.

1 Q Are those -- and those are the data feeds that Authenticom  
2 pulls?

3 A Yes, those are.

4 Q Does Authenticom have security protections and protocols?

5 A State of the art.

6 THE COURT: Before you move on, do all the vendors --  
7 let me ask -- put it more broadly. Is there a standard protocol  
8 for transmitting data to the vendors?

9 THE WITNESS: Yes.

10 THE COURT: Okay.

11 THE WITNESS: That would be a secure FTP, so basically  
12 it's an FTP connection like we talked about before, but there's  
13 a security and encryption on that FTP transmission.

14 THE COURT: Okay. But that just allows you to make a  
15 connection and have the file encrypted. Is there a standardized  
16 data format that everybody is using?

17 THE WITNESS: No. We actually customize -- we actually  
18 customize the format to the vendor's particular requirements.  
19 That's part of our value proposition to the vendors.

20 THE COURT: So they're going to tell you, "You got to  
21 send us a CSV file with the fields in this order and the top of  
22 the page has to have these headings on it," stuff like that.

23 THE WITNESS: You're hired.

24 THE COURT: Okay. All right. I got something to fall  
25 back on now. That's good. Okay. I got it.

1 BY MR. NEMELKA:

2 Q Does Authenticom have security protections and protocols?

3 A State of the art.

4 Q Please describe the security protections and protocols that  
5 Authenticom has.

6 A So, first off, Microsoft Azure. You know, everything --  
7 our technology is hosted inside the Microsoft Azure cloud. As  
8 far as data, we only, you know, access data based on dealer's  
9 express and written permission. We only transmit the data,  
10 okay, to the vendors that is expressly provided. We've got  
11 state of the art technology as far as our hardware and software.

12 Q Has Authenticom ever had a data breach?

13 A Never once.

14 Q Has Authenticom's firewall ever been compromised?

15 A It has not.

16 Q Has Authenticom ever had a reportable security incident?

17 A It has not.

18 Q Even if one ever did happen, what kind of provisions do you  
19 have in your contracts with dealers to cover that possibility?

20 A We've invested in a \$20 million cyber liability policy in  
21 the unlikely event of something happening.

22 Q Has Authenticom ever had to draw upon its cyber insurance  
23 policy?

24 A It has not.

25 Q Has Authenticom ever offered to explain its security

1 protocols to CDK and Reynolds?

2 A Multiple times.

3 Q Did CDK and Reynolds ever take you up on that offer?

4 A They have not.

5 Q Have you ever offered to host them at your facilities in  
6 La Crosse?

7 A We've invited both CDK and Reynolds and Reynolds to  
8 La Crosse multiple times. We've also suggested that we'd be  
9 happy to travel to their location to have an open conversation,  
10 not only about our infrastructure but, you know, data security  
11 in the automotive space as a whole.

12 Q Have you offered to open up your infrastructure to them so  
13 they can evaluate your security protections?

14 A To a degree, yes.

15 Q Have CDK and Reynolds ever identified a specific deficiency  
16 that they want you to fix about your security protocols?

17 A Nothing comes to mind other than they wanted us to stop  
18 competing with them.

19 Q Have CDK and Reynolds ever made any misrepresentations  
20 about your security protocols?

21 A Absolutely in the marketplace, yes.

22 Q So let's take a few examples. We talked about --

23 THE COURT: Before you pass on, can I ask a question  
24 about the insurance policy?

25 THE WITNESS: Certainly.

1 2:00. All right. See you then.

2 (Recess taken at 12:49 p.m.)

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4 I, JENNIFER L. DOBBRATZ, Certified Realtime and Merit  
5 Reporter in and for the State of Wisconsin, certify that the  
6 foregoing is a true and accurate record of the proceedings held  
7 on the 26th day of June, 2017, before the Honorable James D.  
8 Peterson, Chief U.S. District Judge for the Western District of  
9 Wisconsin, in my presence and reduced to writing in accordance  
10 with my stenographic notes made at said time and place.

11 Dated this 5th day of July, 2017.

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/s/ Jennifer L. Dobbratz

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Jennifer L. Dobbratz, RMR, CRR, CRC  
Federal Court Reporter

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